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C O N F I D E N T I A L SECTION 01 OF 02 KINSHASA 008363

SIPDIS

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TAGS: [ECON](#) [ETRD](#) [SOCI](#) [CG](#)

SUBJECT: LOCAL IMPORTER SUSPECTED OF CRIMINALITY

Classified by Economic Officer Katherine Simonds. Reason:
1.5(d).

[11](#). (SBU) Summary: Many long-standing Kinshasa businesses are complaining about Congo Futur, an importer that has expanded rapidly since it started operations less than three years ago and is now the largest food supplier in Kinshasa. Established businesses accuse Congo Futur of various illegalities. Congo Futur's general manager claims his company has thrived because of its efficiency. End summary.

We Need Protection

[12](#). (SBU) Manufacturers in Kinshasa have a long tradition of blaming their problems on low-priced imports. At various times during the last year, local producers of textiles, batteries, razors, palm oil and flour have all briefed econoff on the unfair competition they face and the need for protectionist policy to preserve jobs. This complaint has now spread to importers, and their accusations center on a company that has been doing business in Kinshasa for less than three years, called Congo Futur.

[13](#). (C) Business contacts say that Congo Futur has become Kinshasa's largest importer of dry staples (e.g. flour, rice, salt and sugar) and the second largest importer of frozen food. Its volume has increased from less than 4000 tons in 1998 to over 90,000 tons in 2000. A manufacturer of sacks told the Ambassador that his largest clients, a local flour mill and the national sugar company, were reducing production, severely cutting his business. The largest importer of frozen foods to Kinshasa told Econoff that Congo Futur had cut prices so far that he was being forced to sell below cost to stay in business. He speculates that Congo Futur must be laundering money and/or trying to drive out competitors to secure a monopoly. Other contacts acknowledge the weakness of these two hypotheses, since converting dollars to Congolese francs is an expensive laundering mechanism and low barriers to entry mean that a monopoly would provide at best small and fleeting profits. They wonder if Congo Futur is buying diamonds or smuggling Congolese francs to rebel occupied zones, where the franc is worth almost twice as much as in Kinshasa. All assume that Congo Futur has corrupted tax and customs authority.

Customs Director Defensive

[14](#). (C) On December 13, the Director General of the Congolese Customs Agency, an Embassy contact who is generally considered a competent professional, called Econoff to ask her to come to his office. Expecting a visa referral request, she complied. Instead of inquiring about a visa, the Customs director said that he wanted to assure the Embassy that, regardless of what they heard, he had not been corrupted by Congo Futur. He did not rule out the possibility that some of his subordinates were giving the company favorable treatment, and said he had initiated a discreet inquiry. He implied that the subject required careful handling because of the possibility that powerful political figures were somehow behind the company's success.

Congo Futur's Story

[15](#). (SBU) On December 15 Econoff called on Ahmed Tajideen, the General Manager of Congo Futur, to get his views on the Kinshasa market and his response to these suspicions. Tajideen was somewhat surprised at the Embassy's interest, but acknowledged that he was aware of the rumors circulating about his company. After a nervous start, he seemed pleased to have the opportunity to explain how he operated.

16. (SBU) According to Tajideen, Congo Futur is the subsidiary of an Antwerp-based family business called Soafrimex which is also a major importer in Angola, Sierra Leone, Mozambique, Ghana and the Gambia. The company decided to move into Congo because it saw profit opportunity in the relatively high prices it saw in Congolese markets. He attributed the company's success to a combination of efficiency and a high volume strategy. To show the gains from efficiency, he said the company had lost 6 percent of the first shipment of food imported through the port of Matadi, presumably to theft. Congo Futur now has seven expatriate (Lebanese) employees permanently assigned to Matadi and theft loss is down to 0.5 percent. The company responded to the unreliability of transportation from Matadi to Kinshasa by establishing its own trucking firm, Trans M, and now owns 60 trucks.

17. (SBU) Tajideen said that high volume gives his company a competitive advantage in transportation and allows him to make healthy profits with a small mark-up. To demonstrate his transportation cost savings, he used the example of wheat flour. He said that because of storage limitations, no one can import more than 5000 tons of flour to Congo. A small shipload of flour might entail transportation costs of USD 60 per ton. His company loads a boat with 12,000-16,000 tons of flour, reducing transportation costs to about 35 dollars a ton. The flour is shared between Soafrimex subsidiaries in Angola, Mozambique and Congo. This means that his product delivered to Matadi costs at least 10 percent less than his competitors'. He then uses a 5 to 15 percent mark-up when the norm in Kinshasa might be 30 or 40 percent. His vertical integration extends to the consumer market, providing further benefits; Congo Futur owns a bakery and indirectly owns a chain of retail outlets. (One of the accusations of competitors is that bypassing the wholesale system is illegal in the DRC. Tajideen acknowledged this when he said Congo Futur "indirectly" owns these retail outlets.)

18. (SBU) Tajideen said that his attention to the market also contributes to his success; he said he spent most of the day out of the office gathering information. Because even market middlemen are suffering declining purchasing power, he is bringing in goods in smaller sacks. He is confident that the Kinshasa market is all about price, rather than quality, so he seeks out the cheapest rice available on world markets, instead of bringing in quality rice from Thailand. Tajideen told econoff that he pays all his taxes and even pays a duty premium. He said that Congolese customs authorities are used to seeing documents reporting a 20 percent higher cost for rice. Instead of arguing with them about the actual price he pays for the rice, Tajideen said he pays duty based on this higher price.

Are They Crooks?

19. (C) Tajideen was animated and excited when talking about his business strategy and he convinced econoff that he aggressively pursues cost-savings. It is hard, however, to dismiss the certainty of his competitors that his prices are patently below cost. The Embassy FSN who arranged econoff's interview reported that Congo Futur runs a side business changing money at the parallel exchange rate. He reported that people with money in hard currency bank accounts who transferred funds to Congo Futur accounts received either Congolese francs or dollar cash at a discount of 3 to 5 percent. The Customs Director's sensitivity also suggests that something more than just good practices underlies the company's success. Post would be interested in any information Maputo, Luanda, Banjul or Accra might have on Soafrimex and its subsidiaries.

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